

Message Text

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15

ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01 CIAE-00

CIEP-02 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-15

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 PA-02 PRS-01

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FM AMCONSUL CALGARY

TO SECSTATE WASHDC 1671

INFO AMEMBASSY OTTAWA

UNCLAS CALGARY 220

E.O. N/A 11652

TAGS: ENRG, CA

SUBJ: FURTHER ALBERTA REACTION TO NEW OIL/GAS PRICES

REF: CALGARY'S 217, MAY 19

1. JOHN POYEN, PRESIDENT OF THE CANADIAN PETROLEUM ASSOCIATION DESCRIBES THE TWO-STEP PRICE INCREASE ANNOUNCED BY THE FEDERAL GOVERNMENT FOR CANADAIAAN OIL AND GAS AS 'AN INFLATION-INDEXING OF COST INCREASES EXPERIENCED BY THE PETROLEUM INDUSTRY OVER THE PAST 12 MONTHS, WITH NO REAL CASH FLOW BEING ADDED TO THE INDUSTRY .

2. AN EDITORIAL IN THE CALGARY HERALD POINTS OUT THAT ALBERTANS MUST NOT BE LULLED INTO THE MYTH THAT THE INCREASE IS DOLS 1.75 PER BARREL. IT STATES THAT OVER THE LIFE OF THE AGREEMENT (TO JULY 1, 1977), THE OVERALL RISE IS MORE LIKE DOLS 1.40 PER BARREL, WHICH MEANS ALBERTA PRODUCERS WILL BE LUCKY TO RETAIN THEIR PRESENT RELATIONSHIP TO BOTH WORLD AND U.S. AVERAGE PRICES'.

3. THE EDMONTON JOURNAL COMMENTS: 'THE FEDERAL ANNOUNCEMENT AND THE UNCLASSIFIED

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WAY AGREEMENT WAS REACHED MEETS ALBERTA'S MOST IMPORTANT

REQUIREMENT - CONTINUING PROVINCIAL JURISDICTION OVER ITS OWN
RESOURCES AND A STRONG ENDORSEMENT BY OTTAWA OF THE ALBERTA GOAL
OF EVENTUALLY REACHING WORLD PRICES.

4. THE ALBERTAN (CALGARY) STATES THAT ENERGY MINISTER GILLESPIE
HAS TRIED IN FOUR WAYS TO PLACATE THE CONSUMING PROVINCES BY
PROVIDING A SMALLER TOTAL PRICE INCREASE THAN WAS GENERALLY
EXPECTED, BY APPLYING A TWO-STAGE SYSTEM, BY GIVING A TIME LAG
BETWEEN HIGHER WELLHEAD PRICES AND HIGHER PRODUCT PRICES, AND
BY NOT PERMITTING THE PRICE OF NATURAL GAS TO CATCH UP WITH OIL
PRICES. THE MEASURE, THEREFORE, IS A COMPROMISE, BUT IT IS FAIR TO
GUESS THAT THERE SOON WILL BE A MEETING OF MINDS ON EXPORT GAS PRICES

,
TO THE BENEFIT OF ALBERTASS TREASURY AND ECONOMY.
HALL

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